MERCHANDISER

Rxman advice helps relieve allergy shopper's confusion

Continued from page 33

million are sufferers of hay fever, according to the American Academy of Allergists and Immunologists.

At the start of hay fever season some chains such as Gray Drug Fair, Hooks and Bill's merchandise their leading allergy relief products in an endcap display directly in front of the pharmacy. The endcaps, in addition to carrying five to seven allergy products, also frequently will include other seasonal items such as first aid and suncare products.

Hooks drug stores use endcap and table displays and floor stands during the height of the season. Buyer Whitfield also noted that the chain has been successful merchandising related peripheral items such as handkerchiefs and tissues.

One manager at a Bill's Drugs, based in Lafayette, Calif., said the chain allocates a 6-ft. section with approximately 80 facings for allergy items. By using occasional endcaps and counter displays, he has been able to free up space in the department for some of the chain's generic allergy products.

"We try to get some generics in there and tie them in with some of the national brand products," he said.

Using separate endcap displays also helps consumers distinguish the allergy products from the cough/cold department, some buyers say. However, most agree that there will always be a certain amount of confusion among consumers regarding this category.

"We try our best to segregate allergy products from cough/cold, but I don't think the majority of the American public knows the difference between antihistamines and decongestants," notes Michael Doylk, buyer at Gray Drug Fair. "I just don't think that there will be any chain or drug store that will come up with a pure allergy section in the near future."

At Begley Drugs, buyer Osborne is reluctant to use endcaps for allergy products. "I haven't felt that an allergy endcap is needed," says Osborne. "There is a degree of seasonality in the category and you can paint yourself into a corner if the season never materializes."

One thing that most buyers agree on is that the category is still in a period of transition following the change of status from prescription to OTC of Drixoral and Actifed in 1981. In addition to the strong gains made by these products in the short time that they have been available over the counter, there have been a number of line extensions from existing products.

"It's the most saturated section in our stores," said Gray Drug Fair's Doylk. "You not only have flavors, you have all the different sizes."

In the past year there have been more new products to come to out of the cough/cold category which can be used to relieve allergy symptoms than pure allergy products. Hooks' buyer Whitfield says that the reason there isn't the same influx of new products in the allergy category is simply because the market isn't as big as cough/colds.

However, one of the new allergy products that has attracted the attention of buyers is the new Allerest Sinus Pain Formula, a maximum strength allergy relief product that contains acetominophen. One of the reasons buyers are excited about it is because Pharmcraft, the manufacturer, is expected to support it with heavy television advertising.

Some retailers also believe that manufacturers' advertising can also help clear up confusion consumers may have over whether or not they should use a cold remedy product to relieve their allergy symptoms.

But as one buyer noted, even many of the manufacturers aren't sure if their products should be merchandised in the cough/cold section or in the allergy section. He said that when he asks where a product should go a common response from the vendor is to "put it in the big section and it will sell."

Classified ads in *Drug Store News* get results!

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DRUG STORE NEWS®

Vol. Serving the Retail Drug Store Industry for 55 years Published by Lebhar-Friedman Inc. March 19, 1984

Imasco to acquire Peoples in record deal

Acquisition valued at $320 million

By Jim Ricchiuti

MONTREAL—Imasco Ltd., the diversified Canadian Company, is poised to complete the largest acquisition in chain drug history with its planned purchase of Peoples Drug Stores, a deal valued at $320 million.

The acquisition, the first by a foreign-based company of a large United States drug chain, will add a second major North American drug operation to Imasco's holdings. It already owns Shoppers Drug Mart, Canada's largest drug chain.

The two chains, which collectively will operate more than 1,000 drug stores throughout Canada and the Southeastern United States, will continue to function autonomously under the direction of their respective management teams.

The friendly tender offer of $34 (United States) per share has been approved by Peoples' board and the executive committee of Imasco's board of directors. At the close of trading on Friday, Feb. 24, Peoples stock, which is traded on the New York Stock Exchange, closed at $24.62, up $3.50. Trading of Peoples stock was suspended at the opening session on Monday, Feb. 26.

According to Imasco, three stockholders who together control more than 2.7 million shares or 35.2% of Peoples' total outstanding common stock, have accepted the $34 offer. They include Adrian C. Israel, chairman of the Alexandria-based drug chain, and Sheldon W. Fantle, Peoples' president and ceo.

The Montreal-based Imasco, whose other holdings include Imperial Tobacco, Canada's largest tobacco company, and Hardee's Food Systems, one of the largest fast-food chains in the United States will soon initiate a tender offer for all of Peoples 7.7 million outstanding shares. The company also will offer $1,700 in cash for all of Peoples 8.75% convertible debentures, estimated at approximately $33 million.

Both companies said that the merger was subject to the approval of shareholders and "certain other conditions."

Acquisition Unforeseen

While it was no secret that the cash-rich Imasco was actively pursuing a United States drug chain, few industry insiders expected a marriage that would include Peoples. However, sources close to the 68-year-old Israel, who has been chairman of the chain since 1976 and who controls approximately 32.2% of the company, said that he has been in poor health for the past year. Israel could not be reached for comment on the merger.

Analysts questioned as to the impact of the merger on Peoples' operation viewed the acquisition as mutually beneficial for both companies providing the Peoples management team is kept in place. Fantle is largely credited with turning around Peoples in the eight years he has been president.

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Eckerd 1st half profits leap 22%

CLEARWATER, Fla.—After two years of depressed earnings, the Jack Eckerd Corporation is breaking out of its doldrums.

The nation's second-largest drug chain has just ended the first six months of fiscal 1984 with a 22% surge in earnings on a 14% gain in sales.

The company's 1,391-unit drug division performed particularly well: Operating profits were up 26% to $96.3 million, while sales were up 14% to $1.121 billion.

For the first time also, the company's troubled video division broke into the black with a small $1.2 million operating profit. Last year that division took a $9.9 million loss.

Wall Street analysts who follow the company predict that Eckerd is about to have a "record fiscal 1984." Some are estimating that earnings may range as high as $96 million. Last year Eckerd's corporate earnings only reached $71.1 million, just a 1.4% increase

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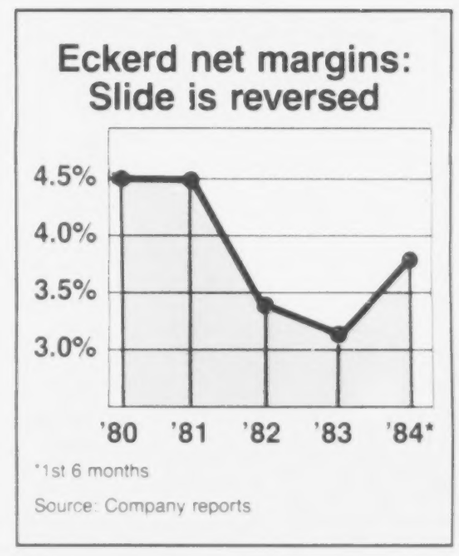

LATE NEWS

LONGS DRUG STORES reported an 18% increase in earnings on an 8% rise in sales for the year ended Jan. 26. Net income totaled $36.4 million, or $3.43 a share, compared to the previous year's $30.9 million, or $2.92 a share. Sales increased to $1.21 billion from $1.12 billion. Unaudited net income for the fourth quarter rose 16% to $11.4 million, or $1.07 a share, while unaudited sales were up 8% to $350 million.

PAY LESS DRUG STORES reported that earnings for the year ended Jan. 31 increased 27.6% to $24.7 million, or $1.35 a share, from $19.4 million, or $1.07 a share, a year earlier. Sales rose 8.7% to $853 million from $785 million. The company's net-to-sales ratio for the year increased by a strong 0.4 of a percentage point to 2.9%. Fourth quarter earnings increased 30% to $12.7 million on a year-to-year basis, while sales advanced 11.6% to $248 million.

MEDICARE-GLASER, in a continuing program of rounding out its total health care concept, has announced plans to open its first home health care center in May of this year. The St. Louis-based drug chain also announced its intention to open "several deep-discount" drug stores during the remainder of this year.

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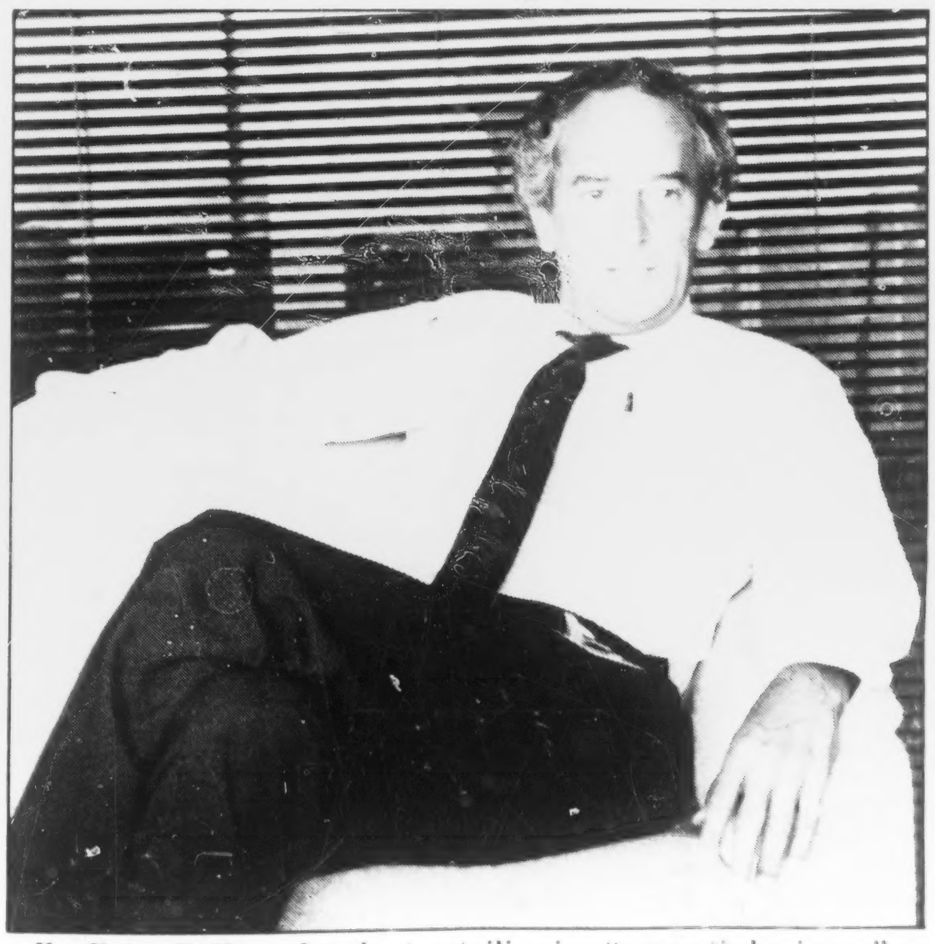
Eckerd prez reflects on upsurge

Lambert: 'People are excited again'



For Eckerd's Harry Lambert, retailing is a "romantic business." His "wooing" of shoppers with new ads and hotter products is sparking a turnaround.

By Liz Parks

In the retail drug world today, there is one word that keeps cropping up when you talk about Harry Lambert, the man who for the past eight months has been in charge of the 1,319-unit Eckerd Drug chain.

That word is "momentum."

People say Lambert has taken a chain that was disheartened when earnings dropped after so many successful years and has given it back its old enthusiasm and energy. "Its zest," one New York-based security analyst says.

Lambert uses the word himself when he talks about Eckerd, which just completed the most successful first six months in its history. Profits for the period not only were sharply higher than earnings for the relatively weak year-earlier period, but far outstripped the first six months of fiscal 1981, a blockbuster year. Analysts now project that profits for the year will reach as high as $96 million.

Continued on page 73

FINANCIAL

Controls credited

Pay 'n Save earnings soar

SEATTLE—The Pay 'n Save Corp. reported a 54% increase in earnings for the year ended Jan. 28. Sales for the year rose 12%.

According to M. Lamont Bean, chairman, net profits for the diversified retailing company increased to $30.1 million on sales of $1.22 billion, compared to earnings of $19.6 million on sales of $1.09 billion in the previous fiscal year.

Earnings per share were $2.02, up from $1.41 a year earlier.

Sales and earnings figures for the two years were restated to reflect the combined results of Pay 'n Save and Schuck's Auto Supply, which Pay 'n Save acquired in a "pooling of interests" transaction on Jan. 27 of this year. Earnings per share were also restated to reflect a 2-for-1 stock split in May 1983.

Bean said the improved earnings were the result of "solid sales increases combined with good control over growth in operating and administrative expenses." He added that gross margins improved "modestly," while interest expense declined to $17.9 million from $22.6 million a year earlier.

For the fourth quarter, earnings increased 17% to $10.8 million, or 70¢ a share, from $9.3 million, or 66¢ a share, in the year-earlier period. Sales rose 14% to $362.4 million from $318.8 million.

At the close of the year, Pay 'n Save was operating a total of 315 stores, including 111 Pay 'n Save drug stores, 69 Ernst Home Centers, 58 Schuck's Auto Supply stores, 32 Bi-Mart discount stores, 24 Lamonts apparel stores, 15 Sportswest sporting goods stores, three Yard Birds general merchandise stores and three Von Tobel's home improvement centers.

In a letter to shareholders, Bean mentioned other accomplishments for the year, including:

- Raising $30 million in equity capital through the sale of common stock.
- Completion of a long-term plan for upgrading its management information systems.
- Completion of plans for a new wholesale cash-and-carry business called Price Savers Wholesale club, the first of which was set to open in Salt Lake City.
- Acquisition of Northwestern Drug, a $130 million wholesaler of pharmaceuticals, OTC drugs and health and beauty aids.

Hook nets $8.7 million, up 32% over last year

INDIANAPOLIS—Hook Drug reported a 32% increase in net earnings for the year ended Dec. 31 and a sales gain of 12.4%.

For the year, earnings rose to $8.7 million, or $2.01 a share, from $6.6 million, or $1.52 a year, for the previous year. Sales reached $320.5 million compared to $285.2 million in 1982.

J. Douglas Reeves, chairman and president, called the results "impressive and highly gratifying." In addition to the financial results, Reeves said the year was "outstanding" in other "important ways," including the following:

—Prescription sales advanced 20% and exceeded $100 million for the first time in the chain's history.

—The addition of 20 new drug stores and two convalescent aids outlets made 1983 the "most vigorous" in growth since 1969.

Reeves commented on one area of disappointment for Hooks, and "that was the softening of fourth-quarter earnings."

For the quarter, net profits fell 4.1% to $3.1 million, or 72¢ a share, from $3.2 million, or 75¢ a share, in the corresponding year-earlier period. Sales for the quarter rose 9.5% to $87.8 million from $80.2 million.

Reeves attributed the earnings decline to a weakening in the usually strong sales increases in December. In the last 15 days of the month, the chain's Midwestern market strongholds experienced unusually bitter winter weather, he said.

Most drug chain stocks advance after sharp falloff

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		2/10/84-2/27/84							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. Rate						Last Fiscal Year (Per Share)		
					Change		52-Week						Last Fiscal Year					Latest P/E Ratio			Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Long Term Debt	Common Stock Equity	Last Balance Sheet Date
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days		Amt.	Pct.				Amt.	Yield		Revenue	Earnings				
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Chain Store transactions																											
Adams Drug	ADG	14 38	12 63	14 38	1 25	9 52	24 88	11 50	-91	1 36	1 69	4 07	1 12	39 N	42 8	17 0	1 6	11 1	04	3	12-09-83	286 2	4 6	2 8	8 00	9 74	1282
Am Stores	ASC	33 50	32 00	33 00	25	76	44 00	24 19	-07	-27	-4 37	4 46	2 69	87 N	35 2	44 0	1 2	9 9	48	1 5	12-09-83	7507 8	90 4	1 4	11 95	12 14	0183
Begley Drug	BGLY	16 25	16 25	16 25	00	00	24 00	14 00	26	-80	-2 72	00	1 47	1 46 N	NC	-10 0	%	11 1	68	4 2	01-16-84	56 8	8	1 8	11 50	17 52	0383
Big B	BIGB	11 63	10 75	11 25	38	3 45	14 50	7 25	-04	-1 11	47	-18 81	39	12 N	34 2	25 0	2 9	23 9	00	0	09-21-83	87 4	2 5	2 5	21	3 36	1282
Dart Drug Corp	DRUGA	60 00	57 00	58 00	-2 00	-3 33	48 00	34 50	-19	-44	-3 01	-50 93	5 43	6 32 N	207 2	67 0	3 1	6 2	13	2	12-06-83	291 8	9 1	2 0	12 01	28 91	0183
Drug Sys	DRGS	7 00	5 25	7 00	1 63	30 23	9 31	5 25	-27	1 81	4 27	-47 09	55	65 N	NC	NC	2 6	10 8	00	0	01-25-84	26 7	7	2 8	2 40	3 12	0383
Eckerd Jack	ECK	25 00	23 50	24 88	75	3 11	34 88	23 50	-02	06	2 10	-10 77	1 91	16 Q	8 8	4 0	3 1	12 7	1 00	4 0	03-12-84	2325 0	71 7	2 0	30	15 17	0783
Fay s Drug	FAY	12 38	10 75	12 00	1 00	9 09	14 50	8 81	14	15	-34	8 09	48	13 N	31 7	32 0	2 0	22 2	14	1 2	03-19-84	270 3	5 5	2 0	2 17	2 23	0183
Genovese Drug	GDX	14 50	12 00	14 00	2 13	17 89	20 50	8 03	-06	-1 30	1 73	-7 59	67	26 N	45 6	32 0	1 6	16 9	20	1 4	12-28-83	158 7	2 6	1 7	1 90	4 95	0183
Hook Drugs	HOOK	25 25	22 50	22 75	-3 00	-11 65	29 75	18 50	-41	-2 61	-87	-41 83	1 52	73 N	55 7	10 0	2 3	11 2	1 00	4 4	01-09-84	285 2	6 6	1 7	2 86	9 37	1282
Longs Drg Strs	LDG	45 75	41 00	45 63	3 25	7 67	50 13	39 13	-20	1 38	-06	23 51	2 92	46 N	16 3	10 0	2 8	13 9	1 12	2 5	11-22-83	1123 2	30 9	1 8	00	18 76	0183
Pay N Save	PAYN	21 00	17 50	19 13	-63	-3 16	28 75	17 50	-42	-2 95	1 38	-3 64	1 52	89 N	69 5	4 0	1 6	8 8	60	3 1	02-17-84	1043 2	16 8	2 3	17 01	14 32	0183
Pay Less NW	PAY	16 50	14 00	16 50	1 50	10 00	20 19	13 50	-22	1 93	2 62	3 53	1 07	21 N	21 2	0	2 5	13 8	27	1 6	03-19-84	784 7	19 4	2 0	5 26	6 07	0183
Peoples Drug	PDG	24 63	20 38	24 63	4 00	19 39	31 75	20 25	-18	3 39	9 50	6 90	1 79	40 F	28 7	23 0	1 7	13 8	28	1 1	02-17-84	791 1	13 7	1 8	4 92	11 56	0983
Perry Drug	PDS	15 88	14 63	15 63	88	5 93	22 38	11 44	-40	-1 11	1 68	3 58	1 02	29 F	39 7	7 0	1 6	15 3	24	1 5	02-21-84	285 5	4 5	1 9	6 04	6 50	1082
Revco Drug	RDS	32 50	29 25	32 00	1 25	4 07	37 50	26 50	-14	1 11	1 91	-1 16	2 13	53 S	29 9	24 0	3 7	13 9	68	2 1	02-17-84	1792 8	66 5	2 5	1 33	11 59	0583
Rite Aid Corp	RAD	20 25	17 88	20 00	2 00	11 11	23 44	15 63	27	1 26	-1 06	26 75	1 19	61 N	83 5	26 0	3 9	14 9	40	2 0	01-30-84	1294 7	49 9	1 7	59	6 19	0283
Thrifty Cp	TFD	15 50	14 13	15 50	1 38	9 73	25 25	10 36	-08	82	-1 11	32 40	1 13	21 F	22 8	18 0	1 9	13 7	52	3 4	02-06-84	1187 8	22 5	1 5	5 39	6 83	0883
Walgreen Co	WAG	34 25	31 13	34 25	63	1 86	40 38	26 50	-33	63	-3 15	-44 65	2 24	46 Q	24 4	34 0	2 9	14 6	72	2 1	02-10-84	2360 6	69 0	1 6	1 76	11 47	0883
Wholesaler's transactions																											
Berger Bruns	BBCA	23 13	22 00	22 38	00	00	39 50	21 00	-39	-94	5 68	-6 80	1 60	24 Q	17 0	40 0	1 4	13 6	32	1 4	01-26-84	1452 0	20 0	1 6	1 22	9 99	0883
McKesson Cp	MCK	39 50	37 75	38 38	-75	-1 92	51 00	37 50	01	-71	-69	-21 92	3 44	38 N	11 7	5 0	1 6	10 6	2 40	6 3	02-24-84	4053 7	63 2	1 5	15 78	29 70	0383
Foxmeyer Cp	FOXM	23 88	22 25	23 88	1 13	4 95	28 50	22 25	-17	73	-1 60	-63 39	94	1 43 N	NC	103 0	7	16 7	00	0	00-00-00	351 1	2 3	2 2	15 38	3 87	0383
Ketchum	KCH	15 88	14 38	15 25	1 00	7 02	21 00	11 19	-1 07	40	-45	-25 83	89	49 S	106 5	112 0	4	16 1	00	0	09-26-83	211 4	9	1 5	5 87	5 68	0483
Owens & Minor	OBOD	13 50	13 00	13 50	00	00	19 25	13 00	-28	-76	-84	1 69	1 41	64 F	83 1	8 0	1 2	9 6	32	2 4	12-09-83	255 2	3 0	2 8	10 55	9 76	1282
Spectro Indus	SPO	18 00	17 00	17 75	-25	-1 39	28 75	17 00	-41	-72	-2 71	-35 03	1 35	31 N	25 0	48 0	1 6	11 5	14	8	12-29-83	339 1	5 4	1 7	2 86	7 24	0383
Manufacturer's transactions																											
Abbott Labs	ABT	46 00	40 38	43 50	-1 00	-2 25	53 38	40 38	15	10	27	-30 62	2 86	49 F	20 6	28 0	11 9	15 2	1 00	2 3	01-09-84	2927 9	347 6	1 3	1 56	10 74	1282
Am Home Prod	AHP	52 63	48 63	52 63	2 63	5 25	54 75	42 88	30	47	1 08	3 90	4 00	41 F	11 4	17 0	12 9	13 2	2 64	5 0	02-06-84	4856 5	627 2	2 7	00	11 83	1282
Baxter Travenol	BAX	21 00	17 00	18 38	-1 63	-8 13	31 31	17 00	-34	11	3 67	-38 57	1 45	23 F	18 8	28 0	11 8	12 7	33	1 8	03-23-84	1842 5	218 1	2 0	1 18	7 52	1282
Block Drugs Co	BLOCA	28 25	27 00	27 00	-1 25	-4 42	34 47	21 38	34	-1 33	4 36	-22 50	2 85	47 N	17 6	14 0	9 7	8 6	1 00	3 7	02-24-84	219 0	21 3	2 5	2 35	17 84	0383
Bristol-Myers	BMY	44 38	41 00	43 50	25	58	47 88	34 50	20	03	1 16	14 35	3 00	41 F	15 8	19 0	10 4	14 5	1 20	2 8	12-30-83	3917 0	408 0	2 3	84	12 68	1282
Carter-Wallace	CAR	26 38	24 75	25 25	25	1 00	29 00	18 00	54	-74	-2 97	28 16	2 12	31 N	15 5	35 0	5 7	10 9	48	1 9	02-06-84	289 9	16 5	2 6	1 57	20 15	0383
Cooper Labs	COO	11 63	10 50	11 50	50	4 55	13 75	10 38	-23	-03	-6 20	-8 96	NA	NA	NA	NA	NA	NA	00	0	00-00-00	NA	NA	NA	NA	NA	NA
Forest Labs	FRX	21 00	18 25	21 00	50	2 44	40 75	18 25	-1 76	1 46	3 33	-13 88	48	-02 N	-3 5	57 0	13 4	38 9	00	0	01-14-83	18 6	2 5	3 7	37	3 03	0383
ICN Pharm	ICN	6 13	4 88	5 63	-38	-6 25	15 25	4 88	-77	-57	5 35	-8 88	42	-11 N	-27 5	38 0	7 8	19 4	00	0	00-00-00	38 7	3 0	1 8	65	3 81	1182
Key Pharm	KPH	16 88	13 38	15 00	-1 38	-8 40	25 94	13 38	-82	-46	5 30	-2 90	51	17 F	50 0	60 0	14 8	29 4	13	9	11-04-83	127 3	18 8	1 6	03	1 14	1282
Lilly Eli Co	LLY	65 38	62 00	65 13	3 13	5 04	68 38	56 75	53	-36	24	-10 29	5 42	62 N	11 8	13 0	13 9	11 1	2 90	4 5	02-08-84	2962 7	411 8	1 9	65	27 10	1282
Lee Pharm	LPH	2 88	2 50	2 88	25	9 52	4 38	2 00	59	1 21	69	-8 68	-49	54 Q	NE	-57 0	-14 3	NE	00	0	00-00-00	7 0	-1 0	1 9	46	1 98	0982
Marion Labs	MKC	31 50	27 25	30 25	-63	-2 02	48 00	27 25	-81	32	1 04	1 51	78	43 S	72 8	15 0	8 2	29 7	40	1 3	03-14-84	181 2	14 8	2 5	05	5 93	0683
Merck & Co	MRK	94 00	88 13	93 63	5 38	6 09	104 63	81 75	41	-03	-1 45	15 28	6 10	49 F	8 7	7 0	13 9	15 3	3 00	3 2	11-29-83	3246 1	450 9	2 1	4 56	29 81	1282
Morton Thiokol	MTI	72 88	69 75	70 13	-2 13	-2 94	83 38	58 50	-26	-1 48	4 91	28 87	5 15	1 09 S	23 1	17 0	5 2	12 1	1 76	2 5	02-23-84	1509 2	78 5	1 4	8 90	32 79	0683
Newport Ph	NWPH	6 00	5 13	5 88	38	6 82	11 38	5 13	-42	-1 19	1 81	-38 49	-03	00 S	NE	19 0	-3 4	NE	00	0	00-00-00	8 8	-3	3 7	24	1 12	0483
Pfizer Inc	PFE	38 25	34 75	38 00	75	2 01	44 75	33 88	32	1 36	31	3 92	2 73	62 F	29 3	17 0	11 9	13 9	1 32	3 5	01-26-84	3750 0	447 1	2 0	3 37	12 82	1282
Reid Prov Labs	REID	3 00	2 75	3 00	00	00	6 09	1 84	-38	1 73	3 69	-32 77	10	06 S	85 7	64 0	6 1	23 1	05	1 7	12-09-83	11 4	7	3 1	03	80	0683
Robins, AH	RAH	18 38	16 63	18 38	13	68	29 38	16 63	-63	1 64	-1 10	-13 64	2 40	42 F	21 2	20 0	10 3	7 7	68	3 7	02-03-84	563 5	58 2	4 0	1 50	13 29	1282
Rorer Group	ROR	28 25	25 50	28 25	2 63	10 24	34 25	23 50	-19	27	-22	76	2 02	22 F	12 2	11 0	8 9	14 0	1 08	3 8	02-06-84	475 3	42 4	2 1	1 13	9 54	1282
Scherer RP Co	SCHC	14 00	12 75	13 88	75	5 71	29 63	12 25	-69	-69	-76	37 15	1 13	-39 N	-36 7	2 0	5 2	20 7	32	2 3	03-14-84	169 7	8 8	2 5	4 57	10 88	0383
Searle, GD	SRL	47 38	44 00	47 25	2 00	4 42	55 88	34 75	48	65	-1 33	2 04	2 39	-17 F	-6 6	14 0	11 6	19 8	52	1 1	02-06-84	946 0	110 0	2 2	4 10	13 32	1282
Squibb Corp	SQB	47 25	44 25	46 50	00	00	55 63	38 25	26	-25	-2 09	-19 19	3 01	1 69 N	111 9	2 0	9 2	14 5	1 44	3 1	02-10-84	1669 8	153 6	2 3	6 54	21 29	1282
Sterling Drug	STY	25 25	23 50	24 75	-13	-50	29 63	23 50	-03	-83	-4 11	-20 00	2 24	07 F	3 2	8 0	7 2	11 0	1 12	4 5	02-09-84	1901 2	136 8	2 8	1 19	14 16	1282
Syntex Corp	SYN	47 25	42 13	42 88	-3 38	-7 30	62 50	42 13	-07	-2 86	-1 99	2 46	4 30	51 Q	12 9	40 0	17 2	9 7	1 60	3 7	02-06-84	870 2	149 3	2 2	3 37	18 11	0783
Thompson Med	TM	15 50	13 38	15 50	2 13	15 89	26 00	12 75	-73	2 16	14	-10 24	1 65	43 F	42 2	89 0	11 0	9 4	40	2 6	12-23-83	149 4	16 5	4 5	00	4 53	1182
Upjohn Co	UPJ	57 75	55 25	57 25	-25	-43	68 75	50 63	10	-53	-76	13 70	5 28	1 10 F	26 3	1 0	8 1	10 8	2 56	4 5	01-03-84	1986 1	160 2	2 0	15 26	32 19	1282
Warner-Lambrt	WLA	32 13	29 88	32 00	75	2 40	35 00	26 38	24	06	-15	-1 71	2 51	46 F	22 4	-2 0	6 5	12 7	1 48	4 6	02-06-84	3108 3	200 5	2 1	8 51	17 28	1282

KEY: NA — Not Applicable NC — Not Calculable NE — Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year

* — Other than a quarterly multiple resulting from a fiscal year change.

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA

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MERCHANDISER

Drug stores are waging convenience food war

By Jim Ricchiuti

Drug stores with convenience food formats may end up as one of the winners in a battle shaping up between high-volume food/drug combos and small, conventional supermarket chains.

When the dust settles from this struggle between the large 50,000-sq.-ft. combos and 20,000-sq.-ft. to 30,000-sq.-ft. supermarket chains, which is expected to intensify during the latter part of this decade, the likelihood is that the sprawling superstores will prevail.

Drug retailers are eying this battle for market share as an opportunity to develop effective convenience food merchandising strategies. Chains may be able to position themselves as alternatives to the combos, which through their sheer size have a tendency to disorient customers.

"Our business is going through more changes than anyone realizes," says Bill Wood, vp and general manager of the Portland, Me.-based Wellby Super Drug, a division of the large chain food operator, Hanaford Brothers. "The question we have to ask ourselves is this: With the increasing market share of supermarkets and the decreasing share of drug stores, can drug stores be as competitive in prices as they are today? Or, will drug stores take an alternate position and become more of a super convenience store."

Wood believes that mini-combos can fill a void in the marketplace, in particular the market made up of two-income households. Currently an estimated 54% of American households fall into this category.

Few drug retailers can discount the success of the convenience food store industry, the other end of the retail food spectrum. Southland Corp., with its chain of 7-Eleven stores, and numerous convenience food store competitors, have witnessed an eightfold increase in sales during a 10-year period from 1972 through 1982.

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Consumers realize that drug stores carry certain food items such as luncheon meats as a service that is going to cost more, retailers say.

TOBACCO

Last year tobacco sales were boosted by price increases. Unit consumption, however, dipped and this year drug chains are trying to renew movement by featuring new brands and better displays.

Generics, 'fancy brands' boost tobacco sales

To combat dwindling cigarette usage, drug retailers are banking on generic cigarettes, prestige-style brands and snuff-like moist tobacco to maintain their estimated 16% of the total market. Drug store retailers also say they'll promote harder and improve in-store displays.

There's no denying that health threats and 20% price hikes have caused consumption to shrink. Figures from the U.S. Department of Agriculture show that production of cigarettes slipped 5% in 1983 to 603 billion units. Production of packs, large and small cigars, pipe tobacco and chewing tobacco also fell. The only segment showing an increase was snuff.

But that news didn't translate into sagging sales at drug store counters. Tobacco sales rose 6% in chain drug stores to $2.56 billion in 1983 and accounted for 8% of total chain sales. But buyers are looking beyond price increment, and are using new items to hoist sales as much as 10% in the second half of 1984. Indeed, tobacco is still a viable category that provides a strong consumer draw for the drug chain.

For example:

—Department turns of 15 times per year make tobacco the highest of all drug store categories.

—Counter displays can produce up to $400 per square foot.

—Attractive retail display allowances result in "very lucrative" agreements between vendors and retailers.

—Stable margins are in the 20% range.

Chains are expecting even more from this department thanks to product innovations. Probably the biggest item today, buyers report, is Skoal Bandits. Manufactured by U.S. Tobacco, Skoal Bandits is tobacco in a teabag-like pouch. A user places it between the cheek and gum and enjoys the taste of tobacco without offensive smoke, explains Dan Softness, a spokesman for U.S. Tobacco.

Skoal Bandits is one of the fastest growing items at Apex, Kinney Drug, Begley and Peoples, according to buyers for all four chains.

"Skoal Bandits is a great item," says Peoples Drug's Louis Schechter, buyer for the category. The reason? "It

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Wine and liquor showing as big traffic draws

When it comes to beverage sales—soft drinks and in states where the law permits their sale, beer, wine and liquor—drug retailers tend to pay more attention to turns than they do to profit margins.

The reason, of course, is competition. Drug stores are one of many outlets for alcoholic and nonalcoholic beverages, and not always the first choice among consumers. Consequently, chains that do the biggest business are usually those with the sharpest pencils.

Drug chains use soft drinks in much the same way they merchandise other food items—primarily as a traffic draw. But a growing number of drug stores now feature planograms department, both on shelves and in coolers.

By selling soda on an everyday basis, a chain can make up some of the margin it loses when promoting items such as two-litre bottles. "If you're going to stick to promotional sections, you won't make any money," says Fred Van Laare, executive vp of Shoppers Drug Mart's Florida division.

Most chains recognize that with items such as beer, turns are frequently more important than profit margins.

Van Laare said that the chain began testing permanent soda sections in its Florida stores during the past year. The 16-ft to 20-ft. section includes an assortment of 1-litre bottles and 6-pack cans, which Van Laare said consumers are more inclined to purchase at regular prices.

Chains that have broadened their soft drink departments to include permanent sections can realize profit margins in the 20% range. While not spectacular compared to other drug store departments, the margins coupled with turns of 20 to 30 make the category "extremely viable," as one buyer for a western-based chain noted.

One problem drug retailers face with permanent soft drink departments is how to select from the growing number of flavors. With all the line extensions of the past few years, the soft drink category is beginning to resemble health and beauty aids.

At Reed Drugs in Atlanta, Ga., buyer Dick Foreback says that when the chain promotes soft drinks, it usually goes with the top four sellers of a major supplier, such as PepsiCo or

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